UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/CZE/1
31 October 1996

ORIGINAL: ENGLISH

First regular session 1997
13-17 January 1997, New York
Item 6 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR THE CZECH REPUBLIC

CONTENTS

	Paragraphs	Page
INTRODUCTION	1	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	2 - 15	2
II. RESULTS AND LESSONS OF PAST COOPERATION	16 - 22	5
III. PROPOSED STRATEGY AND THEMATIC AREAS	23 - 31	5
IV. MANAGEMENT ARRANGEMENTS	32 - 36	7
Annex. Resource mobilization target table for the Czech Republic (1997-1999)		9

/...

INTRODUCTION

1. The first country cooperation framework (CCF) for the Czech Republic, which covers the period 1997-1999, is the result of a consultative process between the Government and UNDP. On behalf of the Government, the Ministry of Foreign Affairs outlined the main development priorities for future cooperation, through a number of consultations with the cooperating institutions, ranging from ministries to non-governmental organizations (NGOs). The preparation of the 1996 national human development report helped to identify current problems in the country as well as goals from the perspective of sustainable human development.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Six years after the collapse of the former regime, the Czech Republic today represents an example of a successful transition from a centrally planned to a market economy: the gross domestic product shows a steady growth rate; the state budget is balanced and shows a surplus; privatization proceeds at the expected rate; the country's currency continues to be stable; and foreign exchange reserves are relatively high. The country has succeeded in balancing social considerations and the need to maintain popular support for reforms against the needs of the market. While income disparities between regions deepened during the transition period, the Government has managed to keep them within limits. There are still several concerns that require more vigorous attention in the upcoming years, for example, the growing foreign trade deficit, environmental degradation, and the low level of energy efficiency.

3. The successful transformation of the Czech economy and corresponding societal changes qualified the country for admission to the Organisation for Economic Cooperation and Development (OECD) in December 1995. The country is also preparing itself to become a full member of the European Union. As a member of OECD, the Czech Republic intends to play a full role, including preparing itself to provide development assistance to and share its specific experience with Eastern European and Central Asian countries, as well as with other developing countries.

4. With respect to the UNDP priority areas of focus for sustainable human development, the situation in the Czech Republic is summarized below.

Governance

5. As have all countries of the region, the Czech Republic has undergone substantial changes in its system of governance since November 1989, when the former regime collapsed. A wide-ranging programme of legal and institutional reform has been initiated. This reform process, which aims at providing the basis for democratic order in Czech society, is still underway, particularly at the regional level. Furthermore, new mechanisms of local governance and civic participation will also be put into place.

6. The establishment of new legislation and the transformation of existing or the creation of new institutions is not only guided by the needs generated by the country's internal reorientation, but also by considerations of harmonization of Czech and international law. In particular, the country's associate membership in the European Union and its desire to become a full member require it to bring its legislation, procedures and institutions in line with European Union standards.

Environment

7. As a result of a disregard for environmental issues during the period before the political changes of 1989, the Czech Republic inherited, as did the other countries in the region, one of the most damaged environments in Europe. The principal causes of the damage were the lack of environmental controls in heavy industry (steel and chemicals), which was based on the use of Soviet oil, and, in particular, the use of domestic brown coal for power supply. Lack of recognition for the need to take protective measures and possibly a lack of funds resulted in insufficient action being taken.

8. Environmental awareness among the population grew rapidly during the 1980s, yet environmental issues remained unrecognized by the former regime. Shortly after the political changes of 1989, environmental protection came to be considered the second most important issue for the country. Since the early 1990s, emission of harmful substances in the atmosphere and the pollution of rivers diminished, partly because of reduced industrial activity and partly as a result of environmental protection measures taken by the new Ministry of Environment. However, pressing economic concerns and a strong emphasis on development of private business have somewhat diminished the focus on environment.

9. The Government is at present pursuing an environmental policy that covers a vast range of areas. The adoption of the State Environmental Policy in August 1995 reflects the Czech Republic's strong commitment to principles of sustainable development and its determination to ensure that by the year 2005 the quality of the environment in the Czech Republic will be comparable to levels achieved in the early 1990s by Western countries. Implementation of the State Environmental Policy will require considerable effort and a more active cooperation between all levels involved, e.g., the Government, local authorities and NGOs.

Poverty alleviation

10. While income disparities increased with the transition to a market economy, this reflected an upward movement of higher incomes, since the lower income categories initially remained initially stable. Only a small percentage of households have in fact experienced a fall in real income. Most pockets of poverty involve specific categories of the population, such as retired and unemployed people.

11. Since 1990 the Government has taken various measures to prevent the occurrence of great disparities in income. Setting of minimum wages and provision of adequate social-security benefits for people in the lowest income categories contributed to, among other things, a decrease in the percentage of people considered to be poor. Therefore, while poverty does exist, it is not a phenomenon that affects large groups in Czech society.

Employment

12. Unlike other Eastern European economies in transition, the Czech Republic has been able to maintain a high level of employment, due largely to the structure of the economy, and in particular, to an expanding service sector. While industry and agriculture have witnessed a decline in production, construction and all other areas of material services have expanded and become more important. Economic liberalization paved the way for a flood of labour to a variety of sectors, particularly to financial and banking sectors, the tourist industry and related services. The Government's considerable efforts to create jobs and a retraining programme for skilled labour have helped to keep unemployment down. The unemployment rate has varied from 2.6 to 3.5 per cent in the period 1992 through 1995. However, regional differences continue to exist, although the unemployment rate in even the hardest hit district in the Czech Republic is below 8 per cent. Another important factor has been the willingness of employees to accept cuts in real wages in exchange for job stability. In summary, the rate of unemployment in the Czech Republic is very low compared with that in other European countries, and unemployment has not created a substantial problem so far.

Gender

13. Formally, women and men have equal status in Czech society. The difference between the levels of education of men and women has evened out. While the number of women completing secondary education substantially exceeds that of men, the university full-time enrolment rate for women is lower by one third than the enrolment rate for men.

14. Women were already fully integrated into the economy during the period preceding 1989, but in certain areas of the economy, women were much better represented than in others. However, women's average earnings are some 74 per cent lower than those of men. The economic transformation has brought about changes in employment in the informal sector. While, in terms of numbers, women take an active part in the economy, they have fewer opportunities in the labour market, and their rate of unemployment is still slightly higher than that of men.

15. In government and public administration women are still an underrepresented group, particularly at the higher levels of responsibility.

II. RESULTS AND LESSONS OF PAST COOPERATION

16. During the first country programme for the Czech Republic (1994-1996) (DP/CP/CEH/1), the country benefited from cooperation with UNDP in various areas. A total of 16 projects were operational, some of which had been approved under the programme for the former Czech and Slovak Federal Republic. At the beginning of the fifth cycle, most projects were executed and implemented by specialized United Nations agencies. Later in the course of the cycle, the national execution modality prevailed.

17. Reporting on project activities was done at the national level. However, there was no UNDP/Government systematic evaluation of the impact and quality of projects. During the period of the first CCF, adequate attention will be given to joint project monitoring, impact assessment and evaluation.

18. Delivery in financial terms was slow in 1992 and 1993. Of the $1,799,600 available in the fifth cycle (1992-1996), including $961,000 carry-over from the fourth cycle, only 2 per cent were disbursed in the first two years. In the following two years, disbursement increased enormously, reaching $941,874 (almost 49 per cent of total resources). More then 99 per cent of the programmable resources for the first country programme have now been committed.

19. Eight out of eleven ongoing projects will continue beyond 1996. One new project is currently being formulated for the period of cooperation beginning in 1997.

20. All projects under the first country programme were effective within the areas of concentration proposed, namely: (a) restructuring the economy, investment promotion and support for the private sector; (b) management development, training and human resources development; and (c) environmental management.

21. Since resources were limited, a fair number of projects were relatively small: there were six projects with budgets of less than $50,000 each; there were four projects with budgets of between $50,000 and $150,000; and there were six projects with budgets over $150,000.

22. As a result of the experience gained in the implementation of the first country programme, it has been determined that the national execution modality is most efficient. At the same time, the number of projects should be reduced, in order to enhance delivery and manageability. It can also be concluded that an "umbrella" type of project could be considered as a suitable tool for avoiding fragmentation of projects, while at the same time meeting diverse needs.

III. PROGRAMME STRATEGY AND THEMATIC AREAS

23. Under the first CCF, UNDP will cooperate with the Government in three areas: (a) protection and management of the environment; (b) support to local

initiatives; and (c) promotion of national capacities for international development cooperation. Gender concerns will be reflected in all areas of cooperation.

Environmental protection and management

24. UNDP cooperation in this area will be directed towards:

(a) Enhancing national capacities to elaborate on and implement objectives of the State Environmental Policy and related programmes, and introduction/discussion of new measures and instruments (e.g., economic/market-based instruments);

(b) Enhancing national capacities for active involvement in international and global cooperation in the area of environmental protection and sustainable development (e.g., the United Nations Conference on Environment and Development follow-up and Agenda 21, major environmental conventions, etc.);

(c) Integration of sustainable development and environmental policies into various sectoral policies and programmes (e.g., energy, transport, agriculture, regional development), and the development of a strategy for such integration.

25. The adoption of the State Environmental Policy demonstrates the Czech Republic's strong commitment to this priority area. A systematic effort will be made, especially in the environmental sector, and including the application of the principles of Agenda 21, to prepare for membership in the European Union.

26. The Czech Republic will continue to work with United Nations agencies in order to meet the environmental goals of the State Environmental Policy and Agenda 21. The European Union's Poland, Hungary Aid for the Reconstruction of the Economy (PHARE) programme will also be considered as a source of financing to achieve these goals.

27. The long-standing experience and knowledge of UNDP in the area environmental issues places it in a position of comparative advantage to assist the country in pursuing its environmental objectives, in cooperation with other United Nations agencies such as the United Nations Environment Programme.

Support to local initiatives

28. Despite the overall success of transition in the Czech Republic, a number of areas qualify for further improvement and support, including various aspects of governance and the promotion of public participation at the local and regional levels and in particular to create greater awareness of democratic values at the grass-roots and regional levels. The general objective is to stimulate activities at those levels which contribute to sustainable human development.

29. UNDP cooperation will be organized through an "umbrella" project, which will allow for a sufficient flexibility in the delivery of small grants to

support concrete capacity-building and action-oriented projects related to local initiatives, public participation, and enhanced civic awareness, including, for example, of gender issues. Eligible target groups for this support include local governments, environmental organizations and other NGOs or civic associations. Goals will be pursued in cooperation with other funding sources, as required, and on the condition that the participating local groups share financial responsibility.

Promotion of national capacities for international development cooperation

30. During the fifth cycle, with UNDP assistance through project CEH/96/002, "Capacity-building for Development Assistance", the Czech Republic began to build its capability to provide development assistance. In this area, the overall objective for the three-year period covered under the first CCF will be to design a national strategy for development cooperation, especially multilateral cooperation, and to create the institutional capacity to mobilize national experience and expertise and deliver it adequately to developing countries. A particular goal is to share the unique expertise developed in the Czech Republic in the course of the economic, political and social transformation with other countries undergoing similar fundamental changes. Towards this end, the Czech Republic will cooperate closely with multilateral organizations, and in particular, with UNDP.

31. As a member of OECD, the Czech Republic is committed to playing its role in the international community with respect to cooperation with and assistance to developing countries. It considers that UNDP, thanks to its comparative advantage, will be able to help the Government to fulfil its goals in the area of international development cooperation, focusing on national policies, circumstances and target groups, including NGOs.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

32. National execution will continue to be the normal modality for executing UNDP-assisted projects in the Czech Republic, although the services of United Nations specialized agencies and the United Nations Office for Project Services for specific components and budget lines will be sought as required. Appropriate training will be provided for national project managers and financial officers on accounting and reporting procedures, to ensure that accounting and auditing requirements are met.

33. Execution of the programme will be organized through a limited number of projects, including "umbrella"-type projects. Implementation modalities such as the United Nations Volunteer programme and technical cooperation among developing countries will be used as appropriate, subject to availability of funding.

34. The Regional Bureau for Europe and the Commonwealth of Independent States sub-office in the region will backstop the programme, in close consultation with the Ministry of Foreign Affairs. A UNDP national programme /administrative officer will be responsible for all daily management activities.

Monitoring, review and reporting

35. Projects will be reviewed to ensure that targets and benchmarks are fixed, and that they are fully results-oriented. Progress reports will be submitted according to UNDP requirements, namely, annual progress and performance and evaluation reports (or semi-annual for shorter duration projects, or if considered necessary), terminal reports at the end of the project, and technical reports, as required, and will be subject to monitoring visits and tripartite review meetings.

Resource mobilization

36. In view of the limited UNDP resources available, particular attention will be paid to continuing efforts to mobilize additional resources through cost-sharing contributions or trust funds. Financial participation from NGOs and the private sector will also be encouraged.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE CZECH REPUBLIC (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	420	
TRAC 1.1.1	240	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	417	In line with decision 95/23, paragraph 19.
SPPD/STS	43	
Subtotal	1 120 a/	
NON-CORE FUNDS		
Government cost-sharing	243	
Sustainable development funds	-	
Third-party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	243	
GRAND TOTAL	1 363 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SSPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.